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Report on the third session
(2-6 April 2001)

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Chapter I
Main findings and recommendations

1. In response to the request of the Economic and Social Council in its resolution 2000/34 of 28 July 2000, the Committee for Development Policy at its third session (2-6 April 2001) examined the theme chosen for the high-level segment of the substantive session of 2001 of the Council, namely, the role of the United Nations system in supporting the efforts of African countries to achieve sustainable development. The Committee stresses that the reappropriation of Africa's development strategy is crucial to addressing Africa's special needs. The Committee also deliberated the broad theme of improving economic governance at the national, regional and international levels. As proposed in the report on its second session,[1] within this theme, the Committee decided to focus its attention on the issue of governance responsibilities in a globalizing world, given the importance of ongoing processes of globalization for developing countries. In addition, as also requested in Council resolution 2000/34, the Committee examined specific issues related to its work in the area of the least developed countries.

A. Reappropriation of development in Africa

2. Many African countries have not yet been able to participate successfully in the contemporary global economy particularly since the 1970s, even though they are endowed with considerable natural resources, as well as abundant human resources and cultural diversity. The Committee is of the view that the main challenge for Africa is to reappropriate its own development strategy and policies. Sustained growth in Africa will be possible if a majority of African people become empowered in the process of development. In order to meet this empowerment challenge and to enable Africans themselves to gain ownership of their development programmes and process, the Committee advocates a participatory and coordinated strategy that involves concerted and coordinated action on (a) the improvement of governance at both the domestic and multilateral levels; (b) the mobilization of domestic non-financial resources; (c) the mobilization and effective use of financial resources; and (d) the development of innovative and dynamic partnerships.

3. The Committee recommends that the United Nations system coordinate closely its own activities in order to assist African countries in developing their indigenous coordination capabilities through the strengthening of appropriate mechanisms and institutions at the local, national and regional levels. The United Nations system is urged to address and resolve the existing coordination failures through measures including (a) the establishment of clear priorities aimed at the implementation of carefully designed and integrated development programmes and projects; (b) the active participation of the African countries themselves in the selection, design, implementation, monitoring and evaluation phases of these programmes and projects; (c) the development of dynamic and effective partnerships among donor agencies, technical assistance experts, host government agencies at the national and local levels, and the recipient countries' civil society; and (d) the introduction of transparent and publicly accountable monitoring and evaluation procedures.

4. The United Nations system should also play a leading role in facilitating the inflow of foreign direct investment (FDI) and other long-term private flows to Africa, and re-examine the effectiveness of the present official development assistance (ODA) system based on voluntary contributions by member countries. Given the sharp decline of these contributions in recent years, every effort should be made to design innovative mechanisms to reverse the decline and to increase aid effectiveness. The introduction of some form of mandatory contributions for development, possibly through the imposition of a development-assistance tax on international commercial and financial transactions, could be discussed and examined as one of the possible innovative mechanisms.

B. Governance responsibilities in a globalizing world

5. Economic globalization has redrawn the boundaries of economic activity. This has made it more difficult to separate national and multilateral interests, raising a series of implications for nation State policy-making. Regardless of whether governance is exercised at the national, regional or global level, it is essential to ensure: (a) transparency of governance; (b) fiscal

transparency; (c) a stable economic and regulatory environment; and (d) sound management of resources. Within this general framework, governance responsibilities can be assigned to any of those levels, with each having a comparative advantage in certain aspects of governance.

6. The Committee stresses that bold initiatives need to be undertaken in a number of key areas of governance, including the enhanced participation of developing countries in multilateral governance; greater transparency and accountability at all levels of governance; the formulation of "core principles" with regard to governance responsibilities; a greater involvement of people in national and local development; and the development of open and innovative partnerships among various actors and at different levels such as, for example, between donor and recipient Governments and institutions, between the public and the private sector, and among Governments, social partners and civil society.

7. The Committee recommends that coordination failures be rectified to ensure the maximum efficiency and effectiveness of external assistance, both financial and technical. While improved coordination by donors is required at all levels, developing countries also need to ensure "ownership" over their development programmes and processes in their respective countries and efficient use of the resources deployed. In addition, there is a need to effectively mobilize national and subnational capabilities and capacities, such as those of the informal sector, whose knowledge and resources should be increasingly incorporated into the formal economy. The Committee stresses the need to secure adequate resources, especially ODA, and to reduce high debt burdens.

C. Least developed countries

8. In its resolution 2000/34, the Economic and Social Council took note with appreciation of the revised criteria for the identification of least developed countries presented in the Committee's report on its second session, but decided to defer to its substantive session of 2001 the consideration of the recommendation to graduate Maldives from the list of least developed countries. The Council also requested the Committee to re-examine its recommendation to graduate Maldives, taking into account, inter alia, (a) the report of the Secretary-General on additional measures that could be taken to ensure a smooth transition from least developed country status for graduating countries; (b) the report to be prepared by the United Nations Conference on Trade and Development (UNCTAD) on the effective benefits derived by the least developed countries from their inclusion in the list, together with an assessment of the implications of graduation for Maldives; and (c) the memorandum by the Government of Maldives expressing concern regarding its graduation from the list of least developed countries (E/2000/104, annex, enclosure).

9. Following a thorough re-examination of its previous recommendation that Maldives be graduated from the list of least developed countries, the Committee confirms that, on the basis of the current criteria, Maldives is eligible for graduation. However, as the additional information requested by the Economic and Social Council is not currently available, the Committee recommends that the Council extend the transition period until the next triennial review of the list of least developed countries in 2003, before a decision is taken by the General Assembly on the country's graduation. This extension should make it possible to obtain adequate information about the proposed treatment of graduating countries by their development partners.

10. In response to the Economic and Social Council's request for an examination of the potential impact of post-graduation transition, including an assessment of the implications of graduation for Maldives, the Committee also notes that insufficient information had been provided by development partners, such as the World Trade Organization, funding organizations of the United Nations system, regional development banks and bilateral aid organizations, on their likely treatment of former least developed countries after graduation. The Committee considers that a concrete assessment of the potential loss of benefits associated with the least developed country status as a result of graduation is essential if adequate advice is to be provided to the Council on the issue of smooth transition after graduation. The Committee thus recommends that the Council request relevant development partners and multilateral organizations to make available the relevant information on their likely response to a country's graduation, before the fourth session of the Committee.

Chapter II
Reappropriation of Africa's development

A. Introduction

11. During the Millennium Summit of the United Nations, New York, 6-8 September 2000, the heads of State and Government devoted one of the eight parts of the United Nations Millennium Declaration (see General Assembly resolution 55/2) to Africa under the title "Meeting the special needs of Africa" (paras. 27 and 28). The present section of the report will serve as a contribution to the discussion on how best to address Africa's special needs.

12. Even though Africa is endowed with considerable natural resources, especially minerals, and abundant human resources and cultural diversity, many African countries, unlike most Asian countries, have not yet been able to participate successfully in the contemporary global economy. Ironically, Africa's resource endowment has often been diverted from being a development asset and transformed instead into a development liability.[2] By and large, steady economic progress has eluded many countries throughout the continent. As noted in table 1, many sub-Saharan African countries reached their present level of income per capita in the 1970s or 1980s. In most of the countries, income per capita subsequently collapsed in the 1980s. It should also be noted that in 16 African countries in 1998, income per capita was less than or about half of the maximum level attained earlier.

13. However, conditions vary across the continent. Some countries have avoided the growth collapse, and others resumed growth modestly in the mid-1990s. A small number of countries in sub-Saharan Africa are able to continue a long-run growth performance at or above a 2.5 per cent a year benchmark of income per capita, while a larger set has the potential to reach or even to exceed the 2.5 per cent benchmark in this decade. Despite their substantial growth potential, other African countries exhibit high-variance growth prospects owing to their vulnerability to economic shocks, notably fluctuations in the prices of commodities on which their export earnings — and hence imports of capital goods — are dependent. Still, many are estimated to have poor growth prospects or to be heavily involved in armed conflicts. Growth prospects, according to this taxonomy, are summarized in table 2.

14. If conditions improve in the economically vulnerable and "conflict" countries, Africa's growth prospects will be brighter. It is estimated that a 1 per cent increase in the projected growth rate for these two groups would raise regional growth by three-quarters of a percentage point and generate a modest improvement in the projected growth rate for the remaining groups. The total effect would be to bring the projected growth rate for sub-Saharan Africa close to the 2.5 per cent benchmark. By symmetry, however, a 1 per cent reduction in the projected growth rate for these groups would reduce projected region-wide growth to nearly zero.

15. Even though growth has revived in many countries, the legacy of the growth collapse remains, with living conditions deteriorating significantly. Africa is the only region of the developing world where the regional average of food production per person has been declining over the last 40 years.[3] In most African countries, the number of poor, in relative and absolute terms, in both rural and urban areas, has increased in recent years and the working population has experienced a substantial decline in its standards of living. Conditions have deteriorated even further in many countries because of the human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) pandemic which is exacting a heavy toll on human lives. Not only is it a humanitarian tragedy on an extraordinary scale, but it amounts to a massive economic disaster for the continent, affecting negatively economic and social prospects for generations to come. For some African countries this pandemic could have disastrous consequences similar to those suffered by native peoples of the Americas during the sixteenth, seventeenth and eighteenth centuries, when they were decimated by diseases brought to the New World by their European conquerors.

16. Political instability and armed conflict have posed additional risks to Africa's development prospects over the current decade. The countries facing these concerns loom large in the African landscape and include the neighbours of those directly affected. Thus, barring the resolution of existing conflicts and the smooth implementation of political succession in these countries, even concerted action by Governments and

Table 1
Failed economic growth in sub-Saharan Africa[a]

Year in which sub-Saharan African countries first reached the level of per capita income of 1998			*Level of 1998 income per capita as a proportion of maximum income attained*					
1960s or 1970s	*1980s*	*1990s*	*Country*	*(percentage)*	*Year achieved*	*Country*	*(percentage)*	*Year achieved*
Burundi (1977)	Angola (1980)	Botswana (1992)	Angola	47	1990	Madagascar	58	1980
Central African Republic (1979)	Benin (1980)	Cape Verde (1995)	Benin	86	1981	Malawi	84	1993
Chad (1975)	Burkina Faso (1980)	Equatorial Guinea (1998)	Botswana	90	1996	Mali	78	1992
Comoros (1979)	Cameroon (1980)	Eritrea (1996)	Burkina Faso	75	1991	Mauritania	72	1981
Côte d'Ivoire (1977)	Congo, Rep. (1980)	Guinea (1993)	Burundi	54	1987	Mauritius	97	1997
Gabon (1976)	Gambia (1980)	Lesotho (1992)	Cameroon	55	1988	Mozambique	68	1986
Ghana (1979)	Mali (1980)	Malawi (1991)	Cape Verde	95	1996	Namibia	86	1980
Guinea-Bissau (1972)	Namibia (1980)	Mauritius (1997)	Central African Republic	64	1988	Niger	46	1980
Kenya (1979)	Rwanda (1980)	Seychelles (1994)	Chad	66	1975	Nigeria	39	1981
Liberia (1974)	Senegal (1980)	South Africa (1992)	Comoros	64	1990	Rwanda	61	1988
Madagascar (1975)	Uganda (1987)	Swaziland (1996)	Congo, Dem. Rep. of	18	1980	Sao Tome and Principe	35	1986
Mauritania (1976)			Congo, Rep.	52	1982	Senegal	67	1992
Niger (1974)			Côte d'Ivoire	61	1977	Seychelles	93	1997
Sierra Leone (before 1970)			Equatorial Guinea	100	1998	Sierra Leone	35	1981
Somalia (1975)			Eritrea	87	1997	Somalia	31	1981
Sudan (1975)			Ethiopia	53	1987	South Africa	88	1996
Togo (1978)			Gabon	77	1981	Sudan	37	1988

Year in which sub-Saharan African countries first reached the level of per capita income of 1998			*Level of 1998 income per capita as a proportion of maximum income attained*				
1960s or 1970s	*1980s*	*1990s*	*Country*	*(percentage)*	*Year achieved*	*Country*	*(percentage)*	*Year achieved*
United Republic of Tanzania (1978)			Gambia	87	1981	Swaziland	92	1997
Zambia (1968)			Ghana	89	1988	Togo	75	1980
Zimbabwe (1974)			Guinea	93	1991	Uganda	72	1989
			Guinea-Bissau	64	1991	United Republic of Tanzania	65	1982
			Kenya	78	1980	Zambia	47	1981
			Lesotho	80	1996	Zimbabwe	56	1981
			Liberia	52	1982			

Note: The data show, for instance, that Zambia attained the 1998 level of income in 1968. It subsequently expanded to reach a maximum of two times its 1998 income in 1981. Since then, the economy has contracted.

[a] Based on World Bank Atlas method for GNP per capita, supplemented with United Nations estimates.

Table 2
Sub-Saharan Africa: a taxonomy of growth prospects for 2000-2010

Category of countries	*Number of countries*[a]	*Annual growth rate of income per capita (percentage)*	*Average population (millions)*	*Group weights (percentage)*		
				Average GDP (Billions of US dollars)	*1995 population*	*1995 GDP*
Long-term successes	5	3.5	1.1	5.5	1.0	3.1
New successes	10	2.5	16.9	12.9	29.5	14.8
High-variance countries	8	1.5	29.3	62.7	40.8	57.4
Adverse growth prospects	7	0.5	6.6	7.3	8.0	5.8
Conflict countries	10	-1.0	11.9	16.5	20.7	18.8
Total	**40**		**14.3**	**21.8**	**100.0**	**100.0**
Projected growth[b]						
Average		1.20				
Population-weighted average		1.22				
GDP-weighted average		1.18				

Source: Population and GDP at international prices from the World Bank's Global Development Network database.

[a] Four countries were not categorized.

[b] Projected growth is also calculated as a weighted average of country groupings' per capita growth rates using 1995 population size for the population-weighted average and 1995 GDP for the GDP-weighted average.

donors alike to remove structural obstacles to growth in the near term is unlikely to bring about sustainable growth and development for the bulk of African countries.

17. In the face of considerable adversity and economic collapse, African people, particularly the poor, have shown extraordinary resilience and developed many new coping mechanisms. They have been assisted by policy initiatives that have been undertaken with a goal of reversing sub-Saharan Africa's decline. These have met with varying degrees of success. Most indicators for sub-Saharan Africa, including access to education and basic health care, food security and gender balance, have continued to worsen. The question is why results have been so poor. How can African countries embark on sustained growth in this decade, generating wealth and resources to eradicate poverty and promote sustainable development?

18. The worsening situation in Africa demands a profound rethinking of earlier solutions. This is becoming increasingly more important in view of the new challenges facing Africa, especially that of responding to the demands of globalization and information and communication technologies (ICT). Mistakes of the past should not be repeated. Discussions and analyses of what went wrong are likely to continue and to be heated. The Committee is of the view that many policy failures can be attributed to insufficient ownership and participation in domestic policy formulation and implementation by Africans themselves. Insufficient ownership was also coupled with the lack of an integrated and well-monitored approach to development assistance. In many cases, both factors came into play, aggravating the situation.

19. Africa is a continent where policies have been much influenced by external advisers and put into place by weak Governments. The absence of significant local African ownership or participation in the conceptualization, design, implementation and evaluation of development programmes and projects helps explain many of the policy failures. Donors' efforts in much of Africa have, more often than not, neglected culture, religion, norms and values — the very factors that Asian countries used to great advantage in fostering their development. Many of the earlier efforts also operated on the assumption that structures, ideas and strategies formulated in totally different countries based on their historical and cultural experiences would work in Africa. Past development efforts have also not taken positive cognizance of the immense natural, human and cultural resources possessed by Africa. As a result, many development challenges have not been successfully tackled.

20. A significant quantity of resources have, on the other hand, been contributed over time by donors and multilateral organizations to address the structural imbalances in Africa and to alleviate poverty.[4] These resources, however, have been declining over time: in nominal terms, ODA to sub-Saharan Africa in 1999 was 65 per cent of its level of 1995. The detrimental effects of the ODA decline have been made worse by the fact that the use of aid has not always been as efficient and effective as warranted. Some of the solutions proposed and applied to problems have contributed to worsening the situation. It has been said that Africa has become a "graveyard of development projects". One of the major reasons why resources have been wasted is that, apart from not taking into serious consideration African institutions, values, norms and culture, the aid process often lacked the coordination, effective monitoring and evaluation necessary to produce the expected results.

21. At the present time, there are many competent Africans within Africa and scattered around the world. Advantage could be taken of indigenous African knowledge and the practices used by Africans so that policy and programme responses would be internally driven, culturally compatible and therefore have a better chance to become sustainable. The question is how to bring together all the African assets to engineer, with the support of external assistance, an African way to development. The challenge, therefore, is for Africa to reappropriate its own development process. Sustained economic growth in Africa will be possible if all African people, including poor and marginalized groups, become empowered in the process of development.

B. Empowerment as a target and means of development

22. Empowerment implies the direct ownership of the development process by Africans through a participatory development strategy. Empowerment is best promoted through a set of integrated and coordinated initiatives to enhance participatory capabilities through education, the coverage of basic

needs, particularly of health, securing of water and energy supplies, reduction of food insecurity and expansion of employment opportunities.[5] This approach also stresses the importance of greater transparency and accountability within the public sector.[6]

23. To meet the empowerment challenge and to enable Africans to gain ownership of their development process, the Committee advocates a participatory strategy that involves concerted and coordinated action on: (a) the improvement of governance, at both the domestic and multilateral levels; (b) the mobilization of domestic non-financial resources; (c) the mobilization and effective use of financial resources; and (d) the development of innovative and dynamic partnerships.

1. Improvement of governance, at both the domestic and multilateral levels

24. Governments at all levels must take the lead in the mobilization and allocation of resources needed for empowerment. This will require improved legal frameworks and strengthened competence in government administrations. The institutional capabilities to undertake comprehensive and complex economic and social policies must be enhanced. Greater transparency and accountability at all levels of government is a precondition for improved governance.

25. The effectiveness of development assistance programmes and projects funded by multilateral organizations should be carefully monitored and their impact on human development should be evaluated with the help of appropriate indicators. Monitoring and evaluation will greatly enhance the transparency and accountability of multilateral organizations and enhance the effectiveness of foreign assistance. Within this framework, an initial report describing the expected improvement in the economic and social conditions of the host countries should be considered a sine qua non input for the assessment and determination of eligibility for financial support of any multilateral programme or project. This should be supplemented by periodic reports during the implementation phase, monitoring and assessing progress against the expected goal.

2. Mobilization of domestic non-financial resources

26. African countries have large but seriously underutilized human resources owing to the lack of education, training and job opportunities. The human resource situation is also severely affected by the HIV pandemic, the brain drain and mismatches in the supply and demand for educated labour. Strong and concerted efforts in improving the formal and informal educational systems, and in safeguarding expanded access to education as well as in promoting job creation and on-the-job training are needed to turn the tide. Attaining that level of general education that is needed for effective participation in contemporary society includes action to maximize enrolment in primary education, to achieve rising enrolment in secondary and tertiary education, to facilitate vocational training needed for productive work and to create opportunities for lifelong learning. Achieving these educational goals should be considered a global common good, and a necessary precondition for sustainable global development, and is of utmost importance to Africa. In order to facilitate their achievement, the United Nations system should give guidance and create incentives for the effective allocation of multilateral resources to education and training programmes.

27. Compared with many countries that have succeeded in promoting growth, Africa is richly endowed with land but, in respect of agriculture, suffers from low productivity and insufficient diversification. The green revolution has hardly touched Africa. Farmers have by and large not had the opportunities for credit, including microcredit extension services, more efficient inputs, and enlarged markets which have increased the productive potential of the agricultural sector in many countries. Therefore, agricultural resources must be mobilized for the benefit of local communities and the national economy in a concerted effort to raise productivity and promote diversification. As it proceeds, agricultural expansion must pay proper attention to indigenous practices and knowledge systems.

28. One of the preconditions for expanding agriculture and agribusiness is the opening of international markets for African agricultural exports. The reduction of existing agricultural subsidies and import barriers in developed countries is an important precondition for export-led growth in almost all

African countries. In this respect, the European Union's recent decision ultimately to grant duty-free and quota-free access to all exports, except arms, originating from least developed countries is a first step in the right direction. Most sub-Saharan African countries are expected to be beneficiaries of this initiative. It is hoped that the initiative will be accelerated and expanded further and that other countries will follow suit.

29. The continued dependence of many Africans on unprocessed biomass energy (fuelwood, agricultural residues and animal dung) is resulting in growing environmental degradation, and also impacts negatively on the health status of households.[7] Affordable access to energy services by the rural poor is essential not only to meet basic needs such as cooking and lighting, but also to provide water supplies and improved sanitation which are critical determinants of community health. Equally important is the role that energy services play in education and economic development more generally.

30. Africa's abundant natural resources should be used with greater care in terms of revenue and employment accruing to the local communities and national economies. The same holds true for other economic activities including tourism, agribusiness and the traditional textile industries which can generate export receipts and employment. The potential for increased value added is dependent partly upon trade conditions and partly upon the possibilities of further processing which, for many countries, is severely hampered by a lack of infrastructure and capital. Productivity can be enhanced and quality improved through the availability of appropriate technology, coordinated marketing possibilities and improved infrastructure. The role of microcredit is basic to the purpose of business creation and income-generation.

31. The efficient use of resources can be significantly enhanced if investment projects are designed so as to form clusters of integrated activities, generating externalities and spin-offs. In the promotion of such clusters, infrastructure, training and marketing requirements should be carefully planned and implemented.

32. Efficiency of resource use can also be expanded through proper use of technical assistance. Advanced developing countries have accumulated vast knowledge and experience on how to deal with similar challenges in such areas as health, education, transfer of technology, investment promotion and financing of infrastructure development. With financial assistance provided by developed countries or international financial institutions, middle-income developing countries can extend valuable technical assistance to Africa, transferring their experience and know-how.[8]

33. Through improved infrastructure, domestic markets have an important role to play in fostering new production but domestic markets are often too small to realize economies of scale in a competitive world. The effective enlargement of markets through regional or subregional integration arrangements and the strengthening of regional institutions can play a significant role in the mobilization and effective use of financial resources.

34. Effective mobilization of resources entails the use and development of social capital at the community level. The social capital needed for effective participatory development consists of the wealth of local practices and existing community networks and cultural variety in African society. Social capital is important: (a) as an asset for cultural and social coherence and sustainability; (b) as a mechanism for the creation of stronger collective bargaining and decision-making capacity for the local communities vis-à-vis State authorities and international organizations; (c) as a functioning system of informal monitoring and mutual responsibility which could be used to enhance accountability and cooperation; and (d) as a mechanism for enhancing learning and opening channels for the generation of new knowledge.

35. Mobilization of indigenous social capital entails the development of its linkages with the new social and technical skills (including computer literacy) needed for effective participation in the modern networking society. Comprehensive programmes for social learning and community development should be created for transferring traditional forms of social capital into effective mechanisms of cooperation and partnership with modern institutions.

3. Mobilization and effective use of financial resources

36. Within the economic domain, one of the keys to improved growth in Africa is the acceleration of investment. Few, if any, countries have ever succeeded in sustaining growth without a strong nexus between

increased private saving and investment. To create an institutional environment that will foster this nexus may be regarded as a necessary condition for sustained economic growth. A rise in the investment share of GDP in African countries requires the more effective mobilization of private savings, enhanced government savings and increases in net foreign transfers and/or capital flows, particularly ODA and FDI.

37. African Governments' own contributions and ODA (net of debt servicing) must be used to the utmost to foster an enabling environment that will encourage private domestic saving and eventually enhance FDI. Given the expanding set of needs that have to be financed by government resources, efforts should focus on expanding the tax base through prudent taxation. Furthermore, external assistance and ODA flows have to be increased to complement domestic resources in the pursuit of investment opportunities. The Committee notes that new efforts should be undertaken at the multilateral level to ensure that (a) donor countries meet their obligations; (b) ODA is an integral component of recipient countries' development strategies; and (c) resources are used efficiently.

38. The alleviation of the external debt burden of African countries is essential for freeing resources for development. Further progress in the implementation of the enhanced Heavily Indebted Poor Countries (HIPC) initiative through its replenishment and extension is therefore critical. In some cases, even deeper relief than under the HIPC initiative is warranted, as acknowledged by the Group of Seven countries in their decision to cancel all bilateral ODA and eligible commercial credits to countries qualifying for the HIPC initiative (see E/2001/45, para. 7).

4. Development of innovative and dynamic partnerships

39. To succeed in promoting empowerment in Africa through the mobilization of resources, innovative and dynamic partnerships must be built at the national, regional and multilateral levels. Within each country, mobilization of human resources is enhanced if development programmes are fostered via partnership among government, involving all relevant ministries and official institutions, social partners, civil society and non-governmental organizations. The involvement of local and regional administrations is often a precondition for the proper design of development programmes and the efficient use of resources. Partnerships should be fostered between the public and private sectors especially in such areas as infrastructure development, financing, water and energy supplies, and technology transfers.

40. Regional cooperation can take the form of institutional development or cooperation agreements in almost all sectors of the economy. Regional cooperation is especially valuable to small African countries, in that it enables them to enlarge their market size and to compete more effectively in world markets. South-South cooperation can strengthen the negotiating position of African countries in international forums and improve their technology and productive practices.

41. International cooperation does not involve solely cooperative financial arrangements between multilateral organizations and African Governments. It ought to be built around cooperative financial and technical assistance networks involving donor countries, multilateral organizations, foreign banks and corporations, host Governments, including sectoral ministries, and the civil society of host countries. Through these networks, skills for organizational work, participation in the global networks and the use of Internet could be enhanced and used as a resource for the development of civil society and participatory democracy.

C. The role of the United Nations system and multilateral institutions

42. The Committee welcomes the recent United Nations system initiatives to support the empowerment of the African population, particularly of its poorest members. It particularly notes the following initiatives:

(a) To strengthen institutional mechanisms for conflict prevention, resolution and peacekeeping (see the initiatives described in the Secretary-General's report on causes of conflict and the promotion of durable peace and sustainable development in Africa (A/52/871-S/1998/318) and Security Council resolution 1318 (2000) adopted on 7 September 2000);

(b) To support human resource development and capacity-building (Tokyo Declaration on African Development and Tokyo Agenda for Action (A/53/559-S/1998/1015, annex I); Cairo Agenda for Action (A/50/647, annex II, AHG/Res.236 (XXXI), annex); Programme of Action of the Decade of Education in

Africa, 1997-2006; Indigenous Knowledge Programme; African Capacity Building Initiative/Partnership for Capacity Building in Africa (PACT));

(c) To contribute to the elimination of poverty and employment creation (Libreville Summit Declaration and Plan of Action, 1999; Jobs for Africa; Africa 2000; Poverty Reduction and Growth Facility, forthcoming Third United Nations Conference on the Least Developed Countries (May 2001, Brussels));

(d) To achieve food security and access to safe water supplies (Tokyo Declaration on African Development and Tokyo Agenda for Action, Cairo Agenda for Action; United Nations System-wide Special Initiative on Africa programme on water; Administrative Committee on Coordination (ACC) Network on Rural Development and Food Security; special programme on food security);

(e) To address the health crisis (Lomé Declaration on HIV/AIDS in Africa, 2000 (A/55/286, annex II, AHG/Declaration 3 (XXXVI))).

All these initiatives go in the right direction and should be further encouraged.

43. The Committee notes, however, that for such activities to have the maximum impact, the United Nations system should coordinate closely its own activities under these initiatives and assist African countries in developing their own indigenous coordination capabilities through the strengthening of appropriate mechanisms and institutions at the local, national and regional levels. In so doing, the United Nations system can help develop a consolidated international approach to Africa.

44. The United Nations in particular has to address and resolve the existing coordination failures, which are prevalent at the national, regional and multilateral levels and which not only reduce efficiency but also entail considerable costs for the recipient countries.[9] Preventing coordination failures involves inter alia:

(a) The setting of clear priorities, aimed at the implementation of carefully designed and integrated development programmes;

(b) Active participation of African countries themselves (Governments, non-governmental organizations, local administrations and civil groups) in the selection, design, implementation, monitoring and evaluation phases;

(c) The evolution of dynamic and effective partnerships per programme between donor agencies, technical assistance experts, host government agencies, and the recipient countries' civil society;

(d) The introduction of transparent and publicly accountable monitoring and evaluation procedures aiming to measure the economic and social impact of each programme.

45. The monitoring and evaluation of development programmes and projects would enhance considerably the transparency and accountability of multilateral institutions. The Committee notes, for instance, that the European policy experience relating to the use of structural funds by the least developed regions of the European Community, especially by Southern Europe and transition countries, might be a useful model for the United Nations system in addressing Africa's special needs. The participatory design of such regional development programmes and the monitoring and evaluation procedures adopted, regarding the use of funds and their impact and effects on convergence and cohesion, provide valuable insights into participatory development and multilateral assistance. In light of the European experience, complementary funding could be channelled through ODA-based development funds. This funding should be made conditional on the existence and effective implementation of a comprehensive national development strategy, discussed and agreed upon by all relevant partners and monitored during its implementation by independent international and local experts.

46. Coordination mechanisms have to be strengthened at the multilateral, regional, national and subnational levels. The Economic and Social Council and the Economic Commission for Africa (ECA) should take a leading role in that process, assisted by specialized and other United Nations agencies. The deepening of arrangements and institutional capacity-building at the regional level will also facilitate the coordination process.

47. Within such a framework, the technical assistance system should be re-examined with a view towards:

(a) The integration of technical assistance into the host country's development and administrative structures;

(b) Greater coordination among operational activities in the field;

(c) Enhanced effectiveness of operations.

48. The provision of technical assistance by developing countries in the framework of new partnerships can prove extremely useful in promoting empowerment and development. The United Nations should assist African countries in building, sustaining and reinforcing a network of such partnerships and in strengthening cooperation between Africa and Asia, Africa and Europe and Africa and the American countries.

49. The United Nations system should explore new avenues for African development in the post-industrial society and media, and ICT, whereby better use could be made of African cultural resources.

50. The United Nations system should also play a leading role in facilitating the inflow of FDI and other private flows to Africa. The strengthening of regional financial intermediaries, the extension of multilateral non-commercial insurance programmes (such as those provided by the Multilateral Investment Guarantee Agency (MIGA)) and the creation of regional "one-stop shops", facilitating project financing and building private-public commercial partnerships, can mitigate risks and expand the spread of FDI to African countries.[10]

51. The United Nations system should also re-examine the effectiveness of the present ODA system based on voluntary contributions by member countries. Given the sharp decline of these contributions in recent years, every effort should be made to design innovative mechanisms to reverse the decline and to increase aid effectiveness. The introduction of some form of mandatory contributions for development, possibly through the imposition of a development-assistance tax imposed on international commercial and financial transactions, could be discussed and examined as one of the possible innovative mechanisms.

52. The United Nations system can underpin the empowerment process of African countries and the mobilization of domestic and external resources for African development. As noted by the Secretary-General "notwithstanding a variety of debt relief measures, including the enhanced HIPC initiative, Africa's debt problem remains unresolved. The debt crisis is a serious development challenge facing African countries".[11] The Committee notes that in the context of deliberations on Financing for Development, the United Nations system should explore innovative and constructive ways to reduce the external debt burden of African countries and to generate in the process resources for domestic development.

Chapter III
Governance responsibilities in a globalizing world

A. Introduction

53. The Committee was informed of the decision of the General Assembly to have a further round of hearings on globalization in September 2001 and was already aware of the high-level international intergovernmental event on financing for development, scheduled to take place in March 2002, as well as the World Summit on Sustainable Development, in September 2002. With these forthcoming events in mind, the Committee decided to pursue its earlier proposal to consider the subject of governance at the national, regional and multilateral levels. The Committee examined this issue, focusing on some of the areas addressed in the Secretary-General's report to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development (A/AC.257/12) and on selected areas relating to the World Summit on Sustainable Development.

54. In the United Nations Millennium Declaration of 8 September 2000, world leaders resolved to create an environment — at the global and national levels alike — which was conducive to development and to the elimination of poverty (see General Assembly resolution 55/2, para. 12)." They underlined that this required good governance, both in each country and at the international level. Within this overall framework, however, many questions still remain unanswered. One basic question is which governance functions should be national and which should be regional or global. Some could, in fact, be assigned to the subnational or even the local level. Beyond the issue of the "optimal regulatory area", a variety of forms of governance exist at each level and, in recent years, there has been considerable evolution in thinking on these matters. Moreover, there are differences and preferred assignments according to the domain of activity and the pertinent policy area.

B. Why global governance?

55. Economic and social development depends on the provision of both private and public goods. Where potential private benefits from the production of goods and services are less than costs or where private benefits cannot be appropriated, there is a private disincentive to their production. If public benefits are high, this might create a rationale for the public provision of such goods and services (such as the provision of national defence or a judicial system). Moreover, where there are positive international externalities in the production of such goods (such as environmental protection in other countries), there may be a case for the provision of transnational or global public goods. With rapid globalization, externalities — both positive and negative — have increased and the concept of "global public goods" has assumed correspondingly greater importance in recent decades.[12]

56. The choice of the most appropriate model for the provision of global public goods depends on the need to balance economic, social, environmental and political considerations to make global activity efficient and publicly accountable. The choice is also sensitive to the manner in which national sovereignty is seen to be affected and the extent to which countries are prepared to agree to forms of collective or shared sovereignty.

57. To create a global or multilateral governance structure, countries collaborate in one of three ways:

(a) Through global institutions, which ensure transnational governance, often through conflict avoidance and resolution and/or dispute-resolution mechanisms. The World Trade Organization is one such example;

(b) Through multilateral associations of regulators, which agree on common standards, and rely on their members to implement these standards in each country. The Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO) are examples;

(c) Through associations of trade organizations or other national interest groups, which agree on "good practices" and work for their adoption within their member countries. The International Telecommunication Union (ITU), the International Chamber of Commerce (ICC) and other organizations play such a role. Accounting and auditing standards for corporations represent an example of this.

58. Global governance structures could be usefully applied in the area of international capital flows. Included here would be policies governing FDI, such as competition policy and bankruptcy law, taxation and trade policies, as well as the regulation and supervision of banks and financial institutions. In each of these policies, an improvement in governance might require a reallocation of roles among global, regional, bilateral and national governance structures. Such a reallocation of roles should be determined by social and distributional requirements as much as by the need for greater economic efficiency.

59. Regardless of whether governance is exercised at the national, regional or global levels, the following general issues need to be considered:

(a) **Transparency of governance**, both public and corporate, increases accountability, thereby strengthening the credibility and public understanding of both policy choices and private-sector initiatives. This, in turn, would facilitate the effective implementation of policies and ensure the pursuit of public-private sector partnerships. In particular, greater transparency in the implementation of economic policy helps build confidence in government policies. For example, the consolidation of open tendering procedures in the case of public works and of public procurement practices can enhance transparency and produce a favourable private sector response. Transparency also minimizes the scope for corruption, money-laundering and illegal transactions;

(b) **Fiscal transparency** can make a major contribution to good governance by ensuring that the public is aware of and understands the objectives, actions and consequences of proposed fiscal measures, such as the introduction of a value-added tax. Fiscal transparency makes Governments accountable for the implementation of fiscal policy, and thereby strengthens the credibility and public understanding of macroeconomic policy choices.[13] Fiscal transparency is also important in achieving macroeconomic stability and high-quality growth;

(c) **A stable economic and regulatory environment** at all levels of governance is conducive not only to the mobilization of resources for development but also to efficient private sector activities; this pertains, for example, to competition,

industrial organization, market-based pricing, exchange and trade regimes, banking systems and related activities;

(d) **Sound management of resources** must be ensured through effective public sector operations, publicly accountable institutions (for example, the treasury, central bank, public enterprises, civil service, and the official statistics function), efficient administrative procedures (for example, expenditure control, budget management and revenue collection), transparency of private-sector activities and democratic oversight.

Within this general framework, governance responsibilities can be assigned to either the global, regional or national level, with each having a comparative advantage in certain aspects and functions of governance.

C. Assignment at the global level

60. Economic globalization has redrawn the boundaries of economic activity. This has made it more difficult to separate national and multilateral interests, raising a series of implications for nation State policy-making. Furthermore, globalization, particularly through international trade and capital flows, has eroded the autonomy of national policy-making as well as the effectiveness of domestic policy tools. For this reason, in many instances, Governments have voluntarily transferred national competencies to regional or multilateral institutions (for example, trade relations or monetary arrangements). Because of this process, various forms of international regulation of economic activity appear to be necessary, primarily when activities transcend boundaries and national competencies have been transferred to the regional or international level.

61. Flows of FDI are now growing at a faster rate than international trade. Recently, this growth in FDI has been underpinned by a wave of transnational mergers and acquisitions and consequent increases in global firm concentration in an increasing number of industries. This requires a revision of investment and competition policies at the global level.

1. Developing core principles for investment

62. If countries are to receive FDI in sectors and industries where they have a comparative advantage, they need to create a conducive investment climate and confidence (a) that there will be no expropriation of assets; (b) that, if assets get nationalized under any contingency, fair value compensation will be paid; and (c) that most-favoured-nation (MFN) and national treatment will be provided. Countries have to ensure that the terms under which any FDI flows into a country will not be discriminatory, either because of the country of origin or because domestic investors are provided with better terms.

63. Countries have typically negotiated these core principles bilaterally, and over the years several hundred such agreements have been signed. A major difference between these agreements lies in the sectors where exceptions from these core principles have been designated, generally on the grounds of strategic interest. Within the developed countries, there are considerable differences in the specification of such strategic sectors, and developing countries are also unlikely to have uniformity in this matter. Consequently, although attempts have been made by the Organisation for Economic Cooperation and Development (OECD) and the European Union (EU) for a multilateral investment agreement that would possess all the characteristics of a global public good, it seems more likely that, for some years hence, the core principles for attracting FDI will be put in place through bilateral agreements. The Committee recommends the development, dissemination and application of core principles for foreign investment agreements.

64. Nevertheless, such multilateral agreements are desirable on two counts. First, global economic efficiency calls for a multilateral approach. Second, it is desirable to increase the participation of developing countries in the formulation and design of these agreements and to increase their bargaining power in the process. Experience shows that negotiating core principles at the multilateral level may be difficult. Even with only OECD members participating, the attempt to institute a multilateral investment agreement failed. Given the even greater problems inherent in bringing more than 180 countries to the negotiating table, regional agreements might be a feasible intermediate step towards facilitating the achievement of multilateral agreements in the longer run, while recognizing that in some areas multilateral agreements are a "first best" solution.

2. Governance in the setting of sound financial practices applicable internationally

65. The past decade has seen much progress in the setting of good banking and financial disclosure and financial practices, which have a bearing on the functioning of banking and financial markets. These practices encompass transparency, both in data dissemination, which must be regular and accurate, and in setting objectives for financial soundness and management, and the strengthening of market intermediaries. Thus, banking supervision, securities market regulation and insurance regulation have begun setting increasingly demanding targets for capital adequacy and transparency in financial reporting dissemination. Stronger financial intermediaries reduce the risks of financial volatility, particularly of system-wide repercussions. New norms and standards for accounting and auditing, superior norms and principles for payment systems, and higher transparency in fiscal, monetary and financial policies have emerged, and these are to be welcomed.

66. The design of such codes of conduct and higher standards has been pursued mostly by institutions, Governments and regulators in developed countries. In the evolution of these standards, developing countries have generally been excluded. This impinges adversely on good global governance and "ownership". For many developing countries, which lack financial market maturity and where institutions are nascent, both the prioritization and the pace at which higher standards are to be adopted would need to vary, depending very much on their historical circumstances and institutional development. By giving inadequate, or often no representation to developing countries, the wider adoption of these core principles, norms and standards is jeopardized and financial flows into some developing countries are less than they otherwise would be. For these reasons, the Committee recommends the effective participation of developing countries in the design and implementation of core principles and standards of global and multilateral governance.

3. Competition policy

67. Any marked liberalization of trade relations requires necessary accompanying measures that inhibit companies from reintroducing analogous, but private, restrictions to market access. The same applies to each country. External trade liberalization is not a substitute for competition policy, if liberalized imports and exports become subject to domestic monopolistic restrictions and practices. Furthermore, replacing a public monopoly with a private one does not necessarily increase social welfare. Competition and regulatory policies therefore need to be put in place in conjunction with the privatization of many State-owned monopolies or enterprises.

68. As a first step, Governments in developing countries should adopt a domestic competition framework that includes basic laws regarding restrictive business practices, abuse of dominant position, and mergers and acquisitions, as well as adequate regulatory enforcement structures that provide private sector access to enforcement authorities on non-discriminatory terms. Developing countries should also examine such practices from the perspective of their impact on long-term development; evidence suggests that open, contestable markets are a factor favouring growth and development.

69. In view of the internationalization of business and the transnational consequences of an increasing number of domestic competition cases, international cooperation is necessary both to ensure the effective enforcement of antitrust disciplines and to avoid the drawbacks of the extraterritorial application of domestic competition legislation. In comparison with the multilateral trade framework, cooperation in competition policies lags significantly in terms of effectiveness and consistency and needs to be strengthened. However, such strengthening needs to take into account the fact that the objectives of competition policy in developing countries may not always coincide with those of developed countries.

70. Further internationalization of competition policy would have three main positive effects:

(a) The private costs of compliance would be reduced because of the higher level of transparency and a lower procedural burden;

(b) Common rules, coordinated surveillance and enforcement would reduce the costs of regulatory arbitrage, evasion, externalization and extraterritoriality;

(c) Overlapping costs of investigation and compliance as a consequence of multiple and concurrent investigations by different jurisdictions could be reduced.

71. Competition authorities, mostly from developed countries, have been trying to keep pace with the increasing number of transnational business operations by simultaneously pursuing three strategies: (a) the extraterritorial application of their domestic competition laws; (b) the conclusion of bilateral or regional cooperation agreements; and (c) the creation of a worldwide competition regime within the framework of the World Trade Organization. Greater cooperation among competition authorities would enhance the effectiveness of these initiatives. Developing countries, especially small ones, could also begin to cooperate with each other, initially through regional or multilateral agreements in order to restrain restrictive business practices.

4. Collective action to facilitate private capital flows to developing countries

72. To promote and retain flows of private capital, both foreign and domestic as well as resident and non-resident, all interested parties — host countries, the private sector and international institutions — should work actively together.[14] This is especially applicable to FDI with its twin benefits of new finance and transfers of technology and management know-how.

73. Attracting FDI needs a commitment on the part of the host country to create conducive conditions, including good governance and transparency, sound macroeconomic conditions, and tax and fiscal policies. It also entails the development of appropriate national and/or regional institutions. For example, the set-up of national and regional investment guarantee agencies, co-insuring with MIGA or working independently, should be encouraged to provide insurance against non-commercial risks on attractive terms. Such agencies can be set up as joint ventures with the private banking and insurance sector. Working alongside one-stop investment promotion agencies, such agencies can be effective tools to lower the information and entry costs for investors and raise expected returns to investment, thereby increasing the potential volume and duration of investment flows.

74. Instruments to pool investment risk through diversification can be effective in promoting investment, be it FDI or portfolio investment. Countries and regions should be assisted in developing their financial and capital markets, including collective investment vehicles, such as investment funds, mutual funds, unit trusts and the like; the United Nations Commission on International Trade Law (UNCITRAL), the International Finance Corporation (IFC) and the United Nations Conference on Trade and Development (UNCTAD) should assist in this connection, through technical assistance for the set-up of local stock exchanges, bond markets and capital market institutions, authorities and regulators and the necessary legal infrastructure provisions.

75. Developed countries should assist developing countries in the expansion of their capital markets by listing the latters' securities and instruments at home and abroad. Financial market-related aid could take the form of providing a principal and/or an interest guarantee programme for developing-country bond issues.[15] This would reduce perceived portfolio investment risk, provide increased portfolio diversification for international investors and increase financial flows to the developing countries.

76. At the global level, the role of ODA for capacity-building and for enhancing FDI flow should be reconsidered. The United Nations, with the active participation of host countries, including representatives of business communities and non-governmental organizations, could take a leading role in highlighting new areas for potential investment in developing countries and in suggesting new approaches to the design of integrated development programmes that could be incorporated into domestic development strategies. Capacity-building in developing countries and economies in transition to deal with the challenges of structural reforms, institution-building, globalization and external shocks calls for additional efforts by the international community, in terms of financial resources and technical assistance. Financial support given through ODA should concentrate on key areas such as physical infrastructure, human resource development and institutional and managerial capacity-building.

5. International cooperation in taxation

77. Taxation involves important questions of national sovereignty because it relates to the size and activities of the government, a matter of domestic political choice. Nevertheless, national Governments' authority in this area is being challenged by globalization stemming from the increased international movement of the main sources of tax revenue — goods and services, financial capital, firms and people. It is frequently no longer clear under whose tax authority

some of these internationally mobile sources of tax revenue fall.

78. The main form of international cooperation to address these issues has long been bilateral tax treaties, primarily aimed at avoiding double taxation. More recently, increasing attention has been given to reducing the tax evasion of so-called harmful tax competition among countries. Most of the initiatives in these areas have been launched by OECD member countries and EU. However, many of the resulting agreements have a bearing on developing and transition countries, in particular on their own tax revenues and therefore on the size and scope of their Governments.[16]

79. In light of these developments, the Committee underscores the need for an inclusive global forum to promote and enhance cooperation among national authorities on international tax matters and endorses the proposal of the Secretary-General in his report to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development (para. 142). Such a forum would enable developing countries to participate in the decision-making process on questions of international tax policy and investment. International cooperation in this area needs to be strengthened, to ensure both that all countries participate effectively in the decisions that affect them and that all taxation is equitable.

D. Assignment at the regional level

80. Regional integration for enhancing economic and social development could play an important role in the following areas:

(a) The mobilization of resources and attracting foreign investment through the effective expansion of markets;

(b) The pooling of financial and organizational resources through the provision of information, the reduction of costs and bureaucratic barriers, and the harmonization of legal environments;

(c) The pooling of risks, for example, through the establishment of regional fiscal stabilization funds;

(d) Facilitating financial intermediation through the establishment or strengthening of regional institutions and mechanisms;

(e) Facilitating knowledge and skill transfers and creating regional and professional networks that could support effective management of resources and strengthen negotiating positions of developing countries vis-à-vis international institutions;

(f) Enhancing accountability through the setting of regional standards and implementation of multilateral mechanisms for public and professional assessment (peer reviews, public audits etc.).

81. Attention needs to be paid to the experiences in Asia, Europe and the Americas of regional partnerships between developed countries and transition economies. North-East-South and North-South-South partnerships between national and subnational developmental agencies, business communities and non-governmental organizations will enhance the design and implementation of development programmes and investment projects.

82. In order to raise the effectiveness of ODA, the experience of the EU countries in the implementation of regional policy with regard to the least developed regions in the European Community and the transition economies can provide valuable lessons. Similar lessons can be drawn from the experience of Japan and the Association of Southeast Asian Nations (ASEAN) in assisting the transition economies of north-east and South-East Asia. In light of the experiences, additional regional structural and/or development funds could be established. Agreed upon standards, common rules, and multilateral monitoring mechanisms can be subsequently developed for access to these funds and the financing of eligible programmes and projects proposed by developing countries themselves. The Committee notes that, through such a participatory process, truly effective partnerships can be established.

83. Regional networks and centres for economic and business training in host countries, as well as academic exchange programmes, can facilitate local human resource development. They can also promote effective partnerships in multilateral financial projects and economic and social development programmes. Establishment of such networks and institutions could be supported by ODA.

84. Finally, to achieve public accountability of governmental institutions responsible for ODA, as well as of multilateral institutions executing internationally financed development programmes and investment projects, mixed monitoring bodies could be established

at the intergovernmental or regional level. These bodies should comprise representatives of donor and recipient countries, independent experts, and representatives of non-governmental organizations. For these monitoring bodies to be effective, public access to information should be provided through the Internet, the media and other channels of public information.

The European Union's partnership experience

The European Union (EU) experience with its enlargement and integration is a model that could potentially have interesting implications for regional integration of the developing countries.

Following the signing of the Single European Act in 1987, Europe proceeded to deepen its internal market through the dismantling of remaining obstacles to trade, the liberalization of the capital account and procurement practices and gradual tax harmonization. A year later, the European Community's structural funds were reformed so that increased resources could be channelled towards the poorest regions of the Community. Apart from Ireland, these were primarily regions in Southern Europe, especially in Greece, Portugal and Spain, which had entered the Community a few years earlier (Greece in 1981, Portugal and Spain in 1986) and whose income per capita was less than 70 per cent of the Community's average. Structural funds were extended to these countries not only to mitigate the costs that arose from convergence, and more specifically from trade and capital-market liberalization, but also to finance infrastructure investment, human capital development and the restructuring of the productive base of their economies. The procedure involved three phases: (a) the design of a multi-annual (six to seven years) development programme by the countries or regions themselves, setting out priorities and projects by sector and region; (b) negotiations with the European Commission to select the fundable projects or programmes and to finalize the support framework; and (c) the implementation of multi-annual programmes by the countries concerned with the active participation of local administrations and social partners.

Funds transferred through the corresponding Community Support Frameworks to these countries amounted to 6-7 per cent of their gross domestic product (GDP), on an annual basis. In this way, these countries were assisted in adopting and implementing the "Acquis Communautaire" (the entire body of legislation of the European Community), streamline their policies and integrate themselves into the EU without being forced to face a drastic reduction of public investment or social expenditures. More or less the same model has been followed for the pre-accession countries of Eastern Europe through the Action for Cooperation in the Field of Economics and Technical Assistance to the Commonwealth of Independent States (CIS) (ACE-TACIS) programmes.

E. Assignment at the national level

85. Effective national governance is fundamental to successful economic policies and to economic and social development. Strengthening national governance requires transparency, public accountability, capacity-building and effective management of resources. Investing in human capital helps to build national capacity and domestic employment opportunities, thus reducing incentives for brain drain. The development of civil society and its participation in national development efforts enhance the Government's capability to address economic and social challenges.

86. Rent-seeking behaviour by officials, frequently leading to corruption, contributes to a misallocation of scarce national resources, exacerbates inequality and discourages foreign capital inflows. Corruption adds greatly to the transaction costs of doing business both for domestic and for foreign businesses, and so impedes development. Increasing accountability through democratic processes and transparency of decision-making are necessary preconditions for investment promotion. Improving property rights and the legalization of assets in the informal economy could greatly enhance that sector's contribution to development. Fair taxation and strong private financial intermediation (banking, insurance etc.) would raise savings and mobilize national financial resources for development.

87. Greater efforts should be devoted to improving coordination and prioritizing development objectives. Ownership of ODA and other external resources by recipient countries, institutions and individuals is necessary. Since national resources and ODA do not appear sufficient to achieve the high investment rates required in many developing countries in the foreseeable future, fostering the proper conditions for attracting private investment from abroad, curtailing capital flight and building public-private sector partnerships need to be a part of any national strategy for development.

88. Furthermore, to secure FDI flows into countries and regions, political stability and the absence of hostilities are essential. International and regional vehicles for guarantees against political risks should be extended to encourage FDI inflows. A suitable investment climate with stability over time is an obvious prerequisite for investors to absorb normal commercial risks.

89. The standard declarations on the acceptance of national treatment often are not sufficient to attract FDI for the benefit of recipient countries. For this purpose, national Governments can learn from other developing country experiences and emulate best practices. For example, international experience suggests that the establishment of "one-stop shops" for approving all investments proves helpful in reducing transaction and licensing costs.

90. Fiscal transparency and sound fiscal management are necessary at all levels, but are particularly pertinent to national Governments. There should be a sound legal and administrative framework for fiscal management. For instance, taxes, duties, fees, and charges should have an explicit legal basis. Tax laws and regulations should be simple and easily accessible, and clear criteria should guide administrative discretion in their application. The public should be provided with full information on the past, current and projected fiscal activity of government. Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks. Budget data should be classified and presented in a way that facilitates policy analysis and promotes accountability. Procedures for the execution and monitoring of approved expenditures should be clearly specified. A public commitment should be made to timely, comprehensive and reliable fiscal reporting, including deviations from the budget. The integrity of fiscal information should be subject to public and independent scrutiny.

F. Global governance and sustainable development

91. Sustainable development is both a holistic and a dynamic concept.[17] It is holistic in that it embraces economic, social and ecological dimensions of development; it is dynamic in that it focuses on present as well as future perspectives. The concept was launched at the United Nations Conference on Environment and Development in Rio de Janeiro in 1992 and found prominent expression in the Rio Declaration on Environment and Development[18] and in Agenda 21,[19] the global action programme, as well as in all the major environmental conventions and multilateral agreements in the Rio process, and in the establishment of the Commission on Sustainable

Development, the major institutional outcome of the Rio conference.

92. The heads of States and Governments, in their United Nations Millennium Declaration, reaffirmed support for the principles of sustainable development, including those set out in Agenda 21, and resolved to adopt a new ethic of conservation and stewardship. The Declaration reiterated the need to make efforts to ensure the entry into force of the Kyoto Protocol[20] to the United Nations Framework Convention on Climate Change,[21] to intensify collective efforts for the management of all types of forests, to press for full implementation of the Convention on Biological Diversity[22] and the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa,[23] to stop unsustainable exploitation of water resources by developing respective management strategies, and to intensify cooperation to reduce the number and effects of natural and man-made disasters.[24]

93. Now, nearly a decade after the major commitments to sustainable development at the United Nations Conference on Environment and Development in Rio, stocktaking seems necessary on the principles, agreements and institutions that were addressed, particularly in view of the upcoming World Summit on Sustainable Development, scheduled to take place in Johannesburg in September 2002.

94. Agenda 21 produced mixed results. On the one hand, a large number of local communities in the developed countries took it as a challenge to engage in a participatory process of redefining strategies of local development and of restructuring their energy and transport sectors; they thus endorsed Agenda 21 with supporting strategies at the national and regional level (as in EU). On the other hand, Agenda 21 did not find much acceptance or support in most developing countries. There is therefore a strong need for the international community to rectify the deficiencies in starting and implementing the Agenda 21 process, and for the World Summit in 2002 to reactivate this major global initiative.

95. As regards the United Nations conventions signed in Rio and after (namely, the climate, biodiversity, law of the sea,[25] and desertification conventions), there have also been only mixed results. While improving energy efficiency and switching to renewable energy sources have become a major priority in some countries, in others they have not. The Kyoto Protocol has not entered into force and the chance of its doing so appears bleak. While the issue of biosafety was brought forward in the framework of the biodiversity convention, the protection of the world's forests is still insecure. As regards desertification, remarkable success has been achieved in building capacity in the countries experiencing serious drought, particularly in Africa, and in securing common concern of both developed and developing countries. However, the issue of water shortage is still not understood as a global problem, although some progress has been made in communicating the seriousness of the threat with regard to health and food security in a growing number of developing countries.

96. Another main environmental issue, namely, the decrease in the quality and quantity of soils, has not yet received the necessary attention, although that problem is already very real and not only a potential threat. Recently, some progress has been made on the issue of persistent organic pollutants (POPs) as the multilateral agreement on the means and measures to address the problem has made headway.

97. An intensive debate is under way as regards the institutions that were put in charge of the global aspects of sustainable development, particularly the United Nations Environment Programme (UNEP), the Global Environment Facility (GEF) and the Commission on Sustainable Development. Institutional innovations seem needed; these should include restructuring these institutions, redefining their mandate, strengthening their capacity, and putting them on a sound financial footing. While a consensus seems to exist that the GEF should be enlarged, and that UNEP should be strengthened, the future structures remain open. Experience indicates that form follows functions, and form follows finance. Therefore, the functions of global governance for sustainable development should be discussed, and financing should be decided on.

98. There is, furthermore, the issue of consistency, that is to say, the need to address the problem of cooperation of these major institutions with other environmentally relevant global institutions, particularly the Bretton Woods institutions (World Bank and International Monetary Fund (IMF)) and the World Trade Organization, and their coordination with the various specialized agencies of the United Nations

system that have a specified, though limited, mandate relevant for sustainable development, such as the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Meteorological Organization (WMO), the United Nations Centre for Human Settlements (Habitat) and others.

99. The Committee notes that the forthcoming Johannesburg Summit provides a particular opportunity to thoroughly discuss the conceptual issues associated with sustainable development, the functioning of the various environmental conventions and multilateral agreements, and those global institutions whose primary and foremost mandate is the implementation of sustainable development.

G. Conclusions

100. The United Nations Millennium Declaration stressed the need for action at the global level to confront the persistent problem of poverty eradication and to ensure that sustainable development might become a reality for all. The Committee wishes to underscore the overriding importance of these objectives, goals rendered even more pressing due to some of the asymmetries of globalization.

101. At the core of global action is good global governance. This, however, must be supported and underpinned — as the United Nations Millennium Declaration implies — by good governance at the regional and national levels.

102. Deepened or enhanced global governance has a number of preconditions. At the present time, the Committee notes that bold initiatives should be undertaken on the following fronts:

(a) There is a need for greater transparency and accountability at all levels of governance;

(b) Innovative partnerships must be forged between various actors and at various levels — particularly between donor and recipient Governments and institutions, between the public and the private sector, and between Governments, social partners and civil society at large;

(c) Coordination failures have to be rectified to ensure the maximum efficiency and effectiveness of international assistance, both financial and technical. Improved coordination of and cooperation among donors is a necessity at the national, regional and international levels. At the same time, however, developing countries need to ensure "ownership" over the development programmes in their respective countries and to use the resources deployed efficiently;

(d) Adequate resources must be secured, especially ODA, and high debt burdens must be reduced;

(e) National and subnational capabilities and capacities need to be mobilized, in particular the informal sector and its knowledge and resources need to be incorporated into the formal economy;

(f) It is important to avoid environmental degradation. To such ends, non-market and subregional activities should be supported;

(g) It would be most useful to develop globally applicable, or just "global", "core principles" in certain areas, and both developed and developing countries should be engaged in this process;

(h) The participation of developing countries in multilateral governance should be enhanced.

Chapter IV
Least developed countries

A. Introduction

103. The Committee has been mandated, over the past 30 years, to identify which developing countries could be considered "least developed", and to make recommendations to the Economic and Social Council and the General Assembly for their designation. The first set of criteria for identification of least developed countries was established by the former Committee for Development Planning in 1971. The Committee substantially revised these criteria in 1991, and again in 2000.

104. In its resolution 46/206 of 20 December 1991, the General Assembly noted with appreciation the criteria for identifying the least developed among the developing countries, and the graduation rules recommended by the Committee for Development Planning. The main purpose of the 1991 criteria was to designate those low-income countries that were suffering from a low level of human resources development and from structural weaknesses,

specifically as reflected by a low degree of economic diversification. In addition to a low per capita gross domestic product (GDP), the 1991 criteria thus included an Augmented Physical Quality of Life Index (APQLI), which was a composite index of nutrition, health and education indicators, and a composite economic diversification index (EDI). These criteria were used in subsequent triennial reviews of the list of least developed countries in 1994 and 1997, and led to the graduation of Botswana from least developed country status in 1994.

105. The Economic and Social Council, in its resolution 1998/46 of 31 July 1998, reconstituted the Committee for Development Planning as the Committee for Development Policy, and mandated the new Committee to continue the triennial review of the list of least developed countries, with a review to be held in 2000. In the report on its first session in 1999,[26] the Committee proposed that the least developed country category should include countries with a low per capita income, suffering from a low level of human resource development, and with a high degree of economic vulnerability.

106. At its first session in 1999, the Committee recognized that the EDI used in earlier reviews had reflected some elements of vulnerability, but it felt that this reflection was inadequate to cover the Committee's notion of vulnerability as "structural vulnerability", defined as the risk of being negatively affected by unforeseen events beyond the control of a country. The Committee, therefore, proposed that the former EDI be replaced by an economic vulnerability index (EVI).[27]

107. The APQLI is based on four indicators: (a) nutrition, measured by the average calorie consumption per capita as a percentage of the average calorie requirement per capita; (b) health, measured by the under-five child mortality rate; (c) the combined gross primary and secondary enrolment ratio; and (d) the adult literacy rate. The EVI is based on five indicators: (a) the share of manufacturing and modern services (including transportation and communications) in GDP; (b) the merchandise export concentration; (c) the instability of agricultural production; (d) the instability of export of goods and services; and (e) population size. To be recommended for inclusion in the list of least developed countries, a country must meet three criteria: (a) a per capita GDP under US$ 900; (b) an APQLI score under 59; (c) an EVI score greater than 36; and (d) a population under 75 million. The thresholds for graduation from the list of least developed countries are 15 per cent above those for inclusion in the list, namely: (a) a per capita GDP greater than US$ 1,035; (b) an APQLI score greater than 68; and (c) an EVI score under 31. To be eligible for graduation, a country must meet at least two of these three criteria.

108. In its resolution 2000/34 of 28 July 2000, the Economic and Social Council took note with appreciation of the revised criteria for the identification of least developed countries presented in the report of the Committee on its second session in 2000. The Council also requested the Committee to continue its work on the methodology to be used for the identification of the least developed countries, where appropriate in association with other international organizations working on environmental and economic vulnerability issues.

B. Re-examination of the 2000 review of the list of least developed countries

109. According to the 2000 review of the list, Senegal was considered to be eligible for inclusion in the list of least developed countries. The Committee thus recommended that Senegal be added to the list, subject to the concurrence of the Government of Senegal, which was received in December 2000.

110. Four countries that had been found eligible for graduation from the list of least developed countries in the 1997 review were again examined during the 2000 review, on the basis of the newly adopted graduation rules. In the case of Vanuatu, the level of GDP per capita was well above the new threshold for graduation, but the APQLI score was lower than the new graduation threshold. Since the EVI score was higher than the graduation threshold, the Committee observed that Vanuatu did not qualify for graduation. Similarly, with a GDP per capita close to $1,000, Samoa no longer met the GDP graduation criterion. Moreover, it ranked as very vulnerable under the EVI. Cape Verde was a borderline case, above the threshold with regard to GDP per capita. It met the APQLI graduation criterion, but it ranked as one of the most vulnerable low-income countries according to the EVI. The vulnerability profile highlighted the country's high dependence on aid and remittances, which had been unstable in recent years. The Committee thus recommended that the graduation of Cape Verde be

postponed for reconsideration at the next triennial review in 2003. With regard to Maldives, since the country had been found to meet both the GDP and the APQLI criteria for graduation, the Committee recommended its graduation from the list of least developed countries, while bringing to the attention of the Council the exceptional costs faced by the Maldivian economy.

1. The case of Maldives

111. While Economic and Social Council resolution 2000/34 endorsed the Committee's recommendation that Senegal be added to the list of the least developed countries, subject to the concurrence of the Government of Senegal, it decided to defer to its next substantive session the consideration of the recommendation to graduate Maldives from the list of least developed countries. The Council also requested the Committee, at its third session in 2001, to re-examine its recommendation to graduate Maldives, taking into account, inter alia, (a) a report of the Secretary-General on additional measures that could be taken to ensure a smooth transition from least developed country status for graduating countries; (b) the report to be prepared by UNCTAD on the effective benefits derived by the least developed countries from their inclusion in the list, together with an assessment of the implications of graduation for Maldives; and (c) a memorandum by the Government of Maldives expressing its opposition to the graduation of the country (E/2000/104, annex, enclosure).

112. At its third session in 2001, the Committee therefore re-examined the recommendation, made in its 2000 triennial review of the list of least developed countries, that Maldives be graduated from this list. It recalled that the reason for recommending the graduation of Maldives was that the country had, at the time of the review, a GDP per capita (of US$ 1,311) and an APQLI score (of 76) that were well above the graduation threshold. It was also stressed that, in its APQLI analysis, the Committee had taken fully into account the country's educational and nutritional status, which had been a special concern of the Government of Maldives in its memorandum.[28] Although the country did not meet the economic vulnerability criterion for graduation, as measured by its EVI, it met the other two criteria and was therefore clearly eligible for graduation.

113. The finding that Maldives is highly vulnerable as measured by its EVI is reinforced by the vulnerability profile prepared in 2000 by UNCTAD, and confirmed by the Memorandum of the Government of Maldives. The high vulnerability of the country could have been a reason not to recommend graduation, had the country been close to the graduation thresholds for the other two criteria. Since this was not the case, the high vulnerability of Maldives was not deemed sufficient for the Committee not to recommend graduation. However, the Committee recommended, in its 2000 report, that the Economic and Social Council consider what special assistance might be provided to the country with regard to the costs of insurance, infrastructure development and population relocation resulting from the exceptional challenge that the country faces from the rising sea level as a result of possible climate change.

2. The issue of the transition period

114. In its resolution 46/206 of 20 December 1991, the General Assembly stresses that there was a need for a smooth transition of the countries graduating out of the list of least developed countries, with a view to avoiding a disruption to their development paths, and invited Governments and international development partners to take appropriate action to ensure a smooth transition. In its resolution 2000/34, the Economic and Social Council requested the Secretary-General, in the context of the recommendation to graduate Maldives, to report on the progress achieved in the implementation of General Assembly resolution 46/206, and to make recommendations on additional measures that could be taken to ensure a smooth transition from least developed country status for graduating countries. While looking forward to the report being prepared by UNCTAD on the effective benefits derived by the least developed countries specifically on the basis of their inclusion in the list, the Council requested UNCTAD to include, in that report, an assessment of the implications of graduation for Maldives.

115. The Committee is of the view that, while General Assembly resolution 46/206 refers to the "pre-graduation" transition period of three years, Economic and Social Council resolution 2000/34 refers to the consequences of graduation and thus, to a "post-graduation" transition.

116. General Assembly resolution 46/206 states, in its paragraph 5, that the graduation of a country would be

completed following a transition period of three years starting immediately after the Assembly had taken note of the Committee's findings towards graduation of a country. This rule was applied to the graduation of Botswana. The Committee recalls that, in reviewing the case of Maldives, the revised criteria for identification of least developed countries had been applied in accordance with the 1991 General Assembly resolution and with the rule, adopted by the Committee in 1991, that in order to be graduated, a country must meet the criteria for at least two consecutive triennial reviews. As already noted, Maldives had been found to meet the graduation criteria in both 1997 and 2000.

117. On the other hand, in response to the Economic and Social Council's request for an examination of the potential impact of post-graduation transition,[29] including an assessment of the implications of graduation for Maldives, the Committee found that insufficient information had been provided by development partners, such as the World Trade Organization, funding organizations of the United Nations system, regional development banks and bilateral aid organizations, on their likely treatment of former least developed countries after graduation. None of these organizations was able to say with certainty whether its policy would change towards a country that had just graduated from the list of least developed countries, and/or if it did change, in which respect it would do so. The Committee considers that a concrete assessment of the potential loss of the benefits associated with the category as a result of graduation is essential if adequate advice is to be provided to the Council on the issue of smooth transition after graduation. This assessment should deal particularly with trade, financial aid and technical assistance.

118. The Committee has noted that, in the perspective of the Third United Nations Conference on the Least Developed Countries, to be held in Brussels, Belgium, from 14 to 20 May 2001, some new benefits may be provided to the least developed countries, in particular in terms of access to markets of developed countries. This would imply related losses for graduating countries.

3. Recommendations and implications for inclusion and graduation

119. The Committee confirms that, on the basis of the current criteria, Maldives is eligible for graduation from the list of least developed countries. However, as the additional information requested by the Economic and Social Council is not available, the Committee recommends that the Council extend the transition period until the next triennial review in 2003 before a decision is taken by the General Assembly about the country's graduation. This extension should make it possible to obtain adequate information about the proposed treatment of graduating countries by their development partners and multilateral organizations.

120. The Committee recommends that the Economic and Social Council request relevant development partners and multilateral organizations to make available the relevant information on their likely response to a country's graduation, before the fourth session of the Committee in 2002. The Council is also requested to urge international organizations and bilateral donors to respond to the issue of "smooth transition" by initiating a debate concerning the treatment of countries that become eligible for graduation. If the Council so wishes, the Committee would be willing (a) to evaluate the potential consequences of graduation and (b) to identify concrete measures that could be taken to ensure a smooth transition from the least developed country status after graduation.

C. Future work

121. In taking note with appreciation of the revised criteria, the Economic and Social Council in resolution 2000/34 requested the Committee to continue its work on the methodology to be used for the identification of the least developed countries. The Committee reaffirms its intention to report to the Council in 2002 on the criteria it proposes to use in the triennial review of the list scheduled for 2003, with due consideration of the rationale of the category.

122. Although countries with economies in transition are not currently considered for inclusion in the list of least developed countries, the Committee, which addressed this question in its previous report, reiterates the proposal to review the implication of this exclusion and to consider, in the next review of the list of least developed countries, the inclusion of countries with economies in transition that would meet the three criteria.

123. The Committee also reiterates its aim, as expressed in the report of its second session in 2000, to

examine the consequences of having adopted different rules on levels of income, human resource development and economic vulnerability for decisions on inclusion in and graduation from the list of least developed countries. The Committee agrees that such differences, as well as the three-year observation period for graduation from the list of least developed countries, are justified to ensure a measure of stability in the category, but it will need to ascertain whether the result of several triennial reviews has been consistent with the principle of treating countries in similar situations alike over time. The Committee proposes to give special attention to this issue in its next review in 2003.

Chapter V
Working methods and programme of work of the Committee

124. The Committee once again welcomes the opportunity to contribute to the work of the Economic and Social Council and reaffirms its willingness to continue to do so. The Committee remains of the view that the nature of its work is such that meetings of Committee working groups must be called prior to the plenary session if the Council and other bodies are to obtain full value from the Committee and its efforts. Such preparatory work must begin well in advance of each plenary, so that the Committee has all the necessary analysis at hand and is able to devote its plenary discussions to formulating well-considered, meaningful and operational recommendations in its report to the Council.

125. The Committee proposes that the main theme of the work programme for its next session be "Effectiveness of external assistance", with a special focus on Africa. It also proposes that, during the inter-sessional period, some of its members be assigned to work on various sub-topics within this broad theme, including issues concerning sustainable development as the major theme of the World Summit to be held in 2002 in Johannesburg, South Africa. The Committee recommends that these members collaborate with regional groupings, especially in Africa, and that its Chairman write to relevant representatives of African countries to seek their contributions with regard to the effectiveness of current external assistance in their respective countries.

126. Considering the importance of the list of least developed countries and as called for by the Economic and Social Council, the Committee will continue its triennial reviews of the list and its work on the methodology used in recent reviews. This includes, as previously expressed by the Committee, reconsidering the treatment of countries with economies in transition, as well as the appropriateness of applying more restrictive principles and thresholds determining initial inclusion of countries in the list of least developed countries as compared with those determining graduation from the list. The objective would be to ensure over time both some stability of the list and an equal treatment of countries in similar situations in each triennial review of the list.

127. Provided that relevant development partners and multilateral organizations make available the relevant information on their likely response to a country's graduation before its fourth session in 2002, the Committee will also be in a position to evaluate the potential consequences of graduation, and to identify concrete measures that can be taken to ensure a smooth transition from the least developed country status after graduation. The Committee reaffirms its intention to report to the Council at its substantive session of 2002 on the criteria it proposes to use in the triennial review of the list scheduled for 2003, with due consideration to the rationale of the category.

128. The Committee reiterates its wish that the Economic and Social Council continue to be in a position to adhere to its decision to make its requests on the Committee agenda at its mid-year substantive session or soon thereafter. Early and timely decisions on themes to be covered by the Committee should not, indeed, preclude later adjustments so as to take account of significant unforeseen developments in the course of the year. The Committee also stresses the need to have a more effective input into the policy process, including the presentation of its report to the Council at its substantive sessions.

Chapter VI
Organization of the session

129. The third session of the Committee for Development Policy was held at United Nations Headquarters from 2 to 6 April 2001. Twenty-one members of the Committee attended: Ms. N'Dri

Thérèse Assié-Lumumba, Ms. Lourdes Benería, Mr. Albert Binger, Mr. Olav Bjerkholt, Mr. Eugenio B. Figueroa, Mr. Shangquan Gao, Mr. Leonid M. Grigoriev, Mr. Patrick Guillaumont, Mr. Ryokichi Hirono, Ms. Louka T. Katseli, Ms. Marju Lauristin, Ms. Mona Makram-Ebeid, Mr. P. Jayendra Nayak, Mr. Milivoje Panić, Mr. Eul Yong Park, Ms. Suchitra Punyaratabundhu, Mr. Nasser Hassan Saidi, Mr. Udo Ernst Simonis, Mr. Ruben Tansini, Ms. Funmi Togonu-Bickersteth and Ms. Dorothéa Werneck. Three members were unable to attend: Ms. Mari Elka Pangestu, Mr. Delphin G. Rwegasira and Ms. Sylvia Saborio.

130. The officers elected at the third session for the term ending on 31 December 2001 were:

Chairman:
Mr. Ryokichi Hirono

Vice-Chairman:
Mr. Eugenio B. Figueroa

Rapporteur:
Ms. Louka T. Katseli

131. The Chairman opened the session.

132. On behalf of Mr. Nitin Desai, Under-Secretary-General for Economic and Social Affairs, Mr. Ian Kinniburgh, Director of the Development Policy Analysis Division, emphasized the importance of the issues to be addressed by the Committee, namely, the role of the United Nations system in supporting the efforts of African countries to achieve sustainable development, and improving multilateral governance in the areas of international investment, competition and taxation, especially in view of the forthcoming high-level international intergovernmental event on financing for development and the World Summit on Sustainable Development. Reconsideration by the Committee of the case of Maldives in relation to its status as a least developed country was also seen as an important task for the Committee in view of the concerns of the Economic and Social Council and the Government of Maldives.

133. The Committee organized itself in three sub-groups for three days' deliberations and was able to complete its work by drafting its report on the last day of the session.

134. The Department of Economic and Social Affairs of the United Nations Secretariat provided substantive services for the session. The following bodies, agencies, programmes and funds of the United Nations system were represented at the session:

- Population Division, Department of Economic and Social Affairs, United Nations Secretariat;
- Food and Agriculture Organization of the United Nations;
- United Nations Conference on Trade and Development;
- United Nations Industrial Development Organization;
- United Nations Educational, Scientific and Cultural Organization;
- Office of the Special Coordinator for Africa and Least Developed Countries, Department of Economic and Social Affairs of the United Nations Secretariat;
- Regional Commissions New York Office;
- International Labour Office;
- International Monetary Fund;
- World Bank;
- World Food Programme;
- World Health Organization;
- World Trade Organization.

Notes

[1] *Official Records of the Economic and Social Council, 2000, Supplement No. 13* (E/2000/33).

[2] This has been especially true for its people during the slave trade. It has, in some instances, been the case for its primary commodities during colonization and the post-independence period.

[3] According to the latest available data, 192 million Africans, 28 out of every 100, are food-insecure, that is to say, they lack access to enough food to lead a healthy and productive life. The hungry are the poorest of the poor. Their productivity is the lowest and they have the highest incidence of nutrition-related health problems. Children in chronically undernourished families are the least likely to be in school.

[4] In 1999, sub-Saharan Africa accounted for 23 per cent of all ODA receipts, and the ration of ODA to GNP was 4.28 per cent, compared with 0.84 for all developing

countries (*Development Cooperation 2000 Report* (Paris, OECD, 2001)).

[5] It is fully compatible with General Assembly resolution 50/107 of 20 December 1995 in which the Assembly proclaimed the first United Nations Decade for the Eradication of Poverty and chose Africa as a target group for poverty eradication, through the adoption of an interdisciplinary and integrated approach, enacted via all the relevant programmes of the United Nations system.

[6] See the Windhoek Declaration and the Charter for Public Service in Africa, adopted at the Third Biennial Pan-African Conference of Ministers of the Civil Service, held in Windhoek, Namibia, 5 and 6 February 2001 (A/56/63-E/2001/21, annexes I and II).

[7] An estimated 100 million families in Africa lack access to modern energy services: efficient lighting, energy for cooking and water supplies, and reliable transportation. Families are subjected to breathing in the gases and other pollutants released by the burning of animal dung and agricultural residues.

[8] The Asia-Africa Forum organized biannually by Japan, together with the United Nations, the United Nations Development Programme (UNDP) and the Global Coalition for Africa under the umbrella of the Tokyo International Conference on African Development (TICAD) process, has been performing such a function since 1993.

[9] These consist not only of direct financial costs arising from the inefficient use of available resources but also of indirect costs due to the time, money and effort spent by Governments in hosting experts and advisers from multilateral institutions and in meeting their often conflicting demands, with little positive impact on development.

[10] Asia's development experiences have demonstrated that FDI flows to those countries and territories where governance, political stability, human capital endowment and infrastructural development are in place, thereby leading to sustainable economic and social development.

[11] Progress report of the Secretary-General on the implementation of the United Nations New Agenda for the Development of Africa in the 1990s (A/55/350), para. 53.

[12] It is important to distinguish between final global public goods (which represent outcomes) and intermediate global public goods (which represent a process of facilitation). While stable climatic condition is akin to a final global public good, peace and financial stability represent examples of intermediate global public goods. Global or multilateral governance structures are further examples of intermediate global public goods, and constitute an area where an increasing need is being felt.

[13] At the national level, in particular, attention should be paid to increasing the efficiency of government activity and establishing sound public finances, including good administration of tax laws, simplification of procedures, elimination of abuse through exemptions, the consolidation of all extrabudgetary accounts within the budget, the early publication of the budget, and adequate reporting on the outcome at the end of the fiscal year.

[14] For example, the following institutions play an important role: the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, the International Finance Corporation (IFC), the United Nations Conference on Trade and Development (UNCTAD) and national chambers of commerce and industry.

[15] The World Bank has such a programme, but it needs to be made larger and especially expanded for African countries.

[16] For example, in June 2000, OECD issued a report to the 2000 Ministerial Council Meeting and Recommendations by the Committee on Fiscal Affairs entitled *Towards Global Tax Cooperation* listing countries identified as "tax heavens", and called on those countries to sign a Memorandum of Understanding. The publication is available at <http://www.oecd.org/daf/fa/harm_tax/Report_En.pdf> Accessed on 7 June 2001.

[17] "Sustainable development is ... a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs" (World Commission on Environment and Development: *Our Common Future* (Oxford, Oxford University Press, 1987), p. 9).

[18] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I., *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

[19] Ibid., annex II.

[20] FCCC/CP/1997/7/Add.1, decision 1/CP.3, annex.

[21] United Nations, *Treaty Series*, vol. 1771, No. 30822.

[22] See United Nations Environment Programme, *Convention on Biological Diversity* (Environmental Law and Institution Programme Activity Centre), June 1992.

[23] United Nations, *Treaty Series*, vol. 1954, No. 33480.

[24] Paragraphs 22 and 23 of the United Nations Millennium Declaration (General Assembly resolution 55/2 of 8 September 2000).

[25] United Nations Convention on the Law of the Sea (see *The Law of the Sea: Official Texts of the United Nations Convention on the Law of the Sea of 10 December 1982*

and of the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982 with Index and Excerpts from the Final Act of the Third United Nations Conference on the Law of the Sea (United Nations publication, Sales No. E.97.V.10).

[26] *Official Records of the Economic and Social Council, 1999, Supplement No. 13* (E/1999/33).

[27] Ibid., chap. III, sect E.

[28] Among all the points raised in the Memorandum submitted by the Government of Maldives, the Committee gave particular attention to the question of using gross national product (GNP) instead of GDP figures. The Committee considers GDP per capita to be a better measurement of productive capacities than GNP per capita, with thresholds consequently adjusted for the designation of low-income countries. The Committee cannot make an exception to this rule for any particular country. The same applies to the consideration of income distribution.

[29] Economic and Social Council resolution 2000/34, inter alia, requested the Secretary-General, in the context of the Committee's recommendation to graduate Maldives, to report on the progress achieved in the implementation of paragraph 4 of General Assembly resolution 46/206, and to make recommendations on additional measures that could be taken to ensure a smooth transition from least developed country status for graduating countries; and looked forward to the report being prepared by the United Nations Conference on Trade and Development on the effective benefits derived by the least developed countries specifically on the basis of their inclusion in the list of the least developed countries and on the practical impact of the measures in favour of least developed countries, and requested the Conference to include in that report an assessment of the implications of graduation for Maldives.

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